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World Oil and Meal Outlook for 1973

Kenya's Farm Trade

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This week's cover:

Inspecting U.S. soybeans—one of this country's largest foreign exchange earners. With domestic production up sharply this year, U.S. soybean and soybean meal exports will take a big leap in 1973, but world soybean meal supply could still be short of demand. For the story on the world oil and meal situation, see article beginning this page.

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1973 Outlook: World Oil Supply and Demand in Balance —Meals in Short Supply

By STANLEY MEHR
Fats and Oils Division
Foreign Agricultural Service

WORLD EXPORTS OF OILS and meals next year will be influenced by sharply contrasting supply-demand situations. For oils, exportable supply could be somewhat in excess of import demands. For meals, a virtual cessation of Peruvian fishmeal production, as a result of a fish scarcity, has created an extremely tight supply situation, which could continue through the first half of 1973.

There are still, however, a number of unknowns that could greatly alter the outlook as the year progresses. The most obvious unknown is Peru, where a ban since September (to last until March) on fishing has stalled production of fishmeal—after soybean meal, the second most important meal exported—and of fish oil.

On November 20, the Peruvian Government partially lifted the ban to permit fishing between the southern ports of Atico and Illo, as a result of the return of fish to those waters. Only nine of Peru's 150 fishmeal plants are located in that region, but if fish are found to be back in force and moving north, fishing might be resumed throughout coastal Peru.

Should Peru resume fishing in volume and meet its fishmeal production goal, and should present prospects for a

Left, combining Canadian rapeseed, a major export crop for Canada. Below, the top U.S. oilseed, soybeans. Despite a large gain in U.S. soybean and meal exports, world meal supplies will be tight in 1973.

much larger 1973 soybean crop in Brazil materialize, an oversupply of meals and oils could develop by late 1973. This possibility is increased by the exceptionally large exportable supply of U.S. soybeans and soybean meal.

Other unknowns also make it difficult to assess the 1973 situation. There will not be any reliable indication of the size of 1972 Soviet sunflowerseed production until the USSR issues its crop estimate in January. Estimates of the West African peanut crops, now being harvested, are still subject to wide variance. And the very important Argentine sunflower and Brazilian soybean crops are just being planted for harvest next spring; at this stage, production estimates assume average yields per acre next spring in the Southern Hemisphere.

Taking all these variables into consideration, we calculate, as indicated, a comfortable world oil supply, but a tight meal supply.

Reflecting this outlook, prices for oils in recent months have been virtually static, while those for meal have climbed steadily. For example, mid-October Rotterdam prices of both soybean and peanut oil were close to their mid-July levels of $230 and $400 per metric ton, respectively, and sunflower

Peruvian fishmeal, above, is a major factor in world meal trade.

Conveyor belt moves unshelled Senegal peanuts to a waiting truck.

Nigerian peanuts, bagged for export, await rail transport to coast.

oil, after sliding somewhat from its mid-July level of $329, stabilized in the $300-$310 range. Meal prices, on the other hand, have risen steadily from their already-high July levels. Between mid-July and mid-October, European meal prices per metric ton advanced as follows: Soybean meal, from $128 to $146; peanut meal, from $119 to $143; and fishmeal, from $202 to $380.

For **oils,** the situation anticipated by these prices is an above-average rise in export availabilities, but at a slower pace than this year's exceptionally large gain, which has enabled stocks to increase comfortably in importing countries. The expansion in 1973 availabilities should pretty well balance off an above-average increase in import requirements, caused by expanded Indian vegetable oil needs following failure of its 1972 peanut crop.

The export increase could amount to about 500,000 metric tons, roughly approximating import needs. Moreover, if recent reports of Mainland China's purchase of soybean oil are confirmed, there would be some additional increase in demand, but, based on present indications, Chinese purchases would not be enough to cause a significant change in the balance between supply and demand.

Most of the increased oil exports (in the form of oilseed) will come from the United States. In 1972, by contrast, exports from foreign producers were much larger than usual, while the United States showed only a modest gain.

The 1973 expansion in foreign oil export availabilities is concentrated in three commodities—palm oil, soybeans (and/or soybean oil), and animal fats. Malaysia will account for the bulk of the gain—possibly 150,000 metric tons—in palm oil. Brazil, if it maintains yields per acre on an estimated 30-percent increase in soybean acreage, should have about 100,000 tons more of soybean oil to export in 1973. Foreign exports of animal fats could also be up 100,000 tons—with most of the gain in butter from the European Community but probably also some in lard and tallow.

Foreign sunflowerseed oil exports could rise 75,000 tons if Argentina gets an average yield on the indicated large acreage. Exports of peanuts and/or oil will probably be lower, with a larger Nigerian crop more than offset by smaller Senegalese and Brazilian crops. Exports of rapeseed and/or oil appear likely to be enlarged—owing to large Canadian stocks—but those of fish oil will probably be down more than 100,000 tons, reflecting the Peruvian fishing ban.

U.S. exports should show appreciable increases for soybeans, cottonseed oil, and sunflowerseed; and they should be well maintained for soybean oil and peanuts and/or oil.

The situation for **meal** is much more difficult to quantify, especially because of the disappearance of Peruvian fish but also because of uncertainty over peanut meal exports. Moreover, demand depends on the expansion (or contraction) of broiler, egg, milk, and pork production, as well as on price relationships between livestock products and feedstuffs and among feedstuffs themselves.

For 1973, demand from Western Europe and Japan is tentatively forecast to increase by roughly 450,000 tons—compared with a 650,000-ton gain in 1972—as a result of continued expansion in poultry and livestock production. Also conceivable is a 150,000-ton gain in East European meal requirements, for a 50-percent increase over that area's normal rate of expansion, following a year of reduced imports.

This anticipated increase of 600,000 tons, exclusive of the Soviet Union, represents a further leveling off in the rate of growth in demand for meal, as the rate of expansion in poultry and livestock becomes more modest and as the protein content of rations approaches optimum in several countries.

Aside from fishmeal, world meal export availabilities will be boosted considerably next year by larger U.S. and Brazilian soybean availabilities. Brazil's exports of beans and meal (on a meal basis) in 1973 could be up 600,000 tons, and U.S. shipments—aside from those to the USSR—could rise 1,150,000 tons, for a combined increase of 1,750,000 tons, soybean meal equivalent.

Partially offsetting these gains is a possible 300,000-ton drop in peanut meal export availabilities (mainly due to the Indian shortage).

These combined totals give an increased world export availability of roughly 1,450,000 tons—not considering fishmeal—against an import increase of possibly 600,000 tons, not including the USSR.

But, as indicated, this is before we take fishmeal into account. If Peruvian fishmeal exports in 1973 are maintained at the 1972 level of 1.4 million tons, as implied by the Peruvian Government's fishing goal, then there will indeed be a substantial excess of protein meals worldwide in 1973, particularly

(*Continued on page 16*)

DANISH FARMERS WELCOME EC MEMBERSHIP

By HARLAN J. DIRKS
U.S. Agricultural Attaché
Copenhagen

Danish butchers prepare pork which may soon be shipped to expanded EC markets.

IN A NATIONWIDE referendum on October 2, Danish voters showed a clear majority in favor of membership in the European Community (EC). This decision will strongly affect most U.S. exports to Denmark.

Results showed an overwhelming 63.4 percent for and 36.6 percent against, in terms of actual ballots cast. Participation reached 89.8 percent, the highest turnout ever recorded. These figures do not include Greenland, whose small voting population clearly was against membership.

Contrary to the situation in Norway, the majority of favorable votes came from the provincial and rural areas of Denmark, while a large percentage of the working class in urban areas rejected membership. This was expected since the farm sector and the food processing industries will receive the most immediate and direct benefits from entry under the EC's Common Agricultural Policy (CAP).

According to the Danish Farmers Union, a typical, well-managed Danish farm of 104 acres would, under full adjustment to EC prices, receive an estimated 70 percent boost in net farm family earnings to $8,997, compared to $5,270 today. This increase includes an estimated 25 percent higher cost level.

Since half to two-thirds of Danish agricultural production is normally exported, the main benefits to agriculture from EC entry, with the United Kingdom participating, can be summarized as follows:

- Farmers will have free access to a market of 255 million people;
- Production and export marketing can be planned on a long-term basis; and
- Agricultural export prices will increase substantially from the start of membership.

During 1973, the first year of membership, the value of agricultural exports is expected to increase by about $287 million over 1972, according to the most recent Government estimates based on late 1971 price levels. Eighty percent of anticipated total export gains from full membership, in 1978, will thus fall during the first year of transition. After deducting raw material imports for farm input, the net export gain in 1973 will amount to about $250 million. The latter does not include Denmark's contribution to the EC budget, which is expected to be about $36 million in 1973, increasing to $107 million by the end of 1977.

By 1978, the value of Danish farm sales is expected to increase by 30 percent compared with current marketings, four-fifths of which will result from higher export gains ($358 million) and the remainder from the home market.

A consequence of this will be a 5-7 percent increase in domestic food prices during the 5-year transition period to full EC prices, but only a slight increase in the overall consumer price index (less than 1.5 percent). This small increase is considerably less than the home market price increases for food that have occurred during the past 5 years.

The Danes' greatest comparative advantage will continue to be in livestock production. **Pork** production is expected to expand as much as 25 percent by 1980 over 1970-71. A slight increase in production, plus an anticipated 15- to 20-percent increase in the sales price in 1973 (as a result of the increased grain price level that will apply in deriving pork prices) should raise the total value of pork exports by 20 percent. This estimate includes the value of export restitutions (subsidies) on processed products to third countries.

The export prices for **poultry meat** and **eggs** will increase sharply on application of the derived grain price system. Home market prices of these products will, however, fall as the home market price system will be discontinued and, with the increased feed costs, there will be no incentive for an expansion of egg production.

On the other hand, as 60-70 percent of poultry meat production is exported, the higher export prices will encourage a slight increase in production. All together, the value of poultry and egg exports is expected to be up by 60-70 percent (about $21.5 million) in 1973. Broiler production is expected to expand slightly over the next 5 years.

The **cattle** sector has the greatest potential for increased revenues, although labor scarcity and shortages of capital for expansion have been cited as limiting factors. By 1980, an expansion of about 25 percent in beef and veal production over the base 1970-71 period has been projected. This increase will come partly from specialized beef production, but perhaps more

Danish farmers, harvesting wheat, will benefit from EC entry. *Hog carcasses are inspected in Danish slaughterhouse.*

Typical Danish farm earnings might mount by 70 percent, as EC gains are realized.

from feeding calves to heavier weights. On a short-term view, the prices of beef and veal are expected to follow world upward trends and show an increase of 10-20 percent next year.

The expected buildup in cattle numbers along with the higher and more stable prices for **dairy products** under the CAP will also lead to expansion in milk production. The export value of dairy products will increase substantially in 1973. Long-term milk production has been estimated to increase by about the same percentage as expected in the beef and veal sector.

The Danish Government has agreed to the 5-year transition to EC agricultural price levels, which is to take place in six steps beginning in 1973 with the start of the pertinent crop year for the individual commodities. (April 1 for dairy products, beef, and veal, July 1 for sugar, August 1 for grain and the derived grain products of pork, poultry meat, and eggs, and July 1 for oilseeds.) Total adjustment will be made by the end of 1977.

For agricultural commodities that are partially protected by tariffs (cattle, beef, and veal), the tariffs will be discontinued in five equal steps from the beginning of the marketing year. Tariff elimination for agricultural commodities solely protected by import duties (the variable import levy systems do not apply) will also take place in five equal steps beginning on July 1 of each year.

Although fluctuations of 10 percent will be permitted in price adjustments at the individual steps of transition, final full adjustment may not be postponed. Price differences among current and new members will be adjusted during the transition period through fixed compensatory amounts, either import levies or export payments, corresponding to the difference in intervention prices in the individual importing and exporting countries.

DENMARK'S DECISION to join the EC will have uneven but pronounced effects on U.S. sales of agricultural products. Sales prospects are excellent for items not subject to the CAP such as soybeans. Products subject to the CAP, such as tobacco, grains, citrus, and other fruits and vegetables, may face difficulties.

In 1971, total U.S. farm sales to Denmark reached an alltime high of $125 million, up 7 percent from a year earlier. The U.S. share of the market remained unchanged at 30 percent. At present, tariff bindings on certain products must be negotiated, but the U.S. share of the market may be difficult to maintain in years ahead.

The outlook for **soybeans,** top U.S. moneymaker on the Danish market, appears good, as Danish livestock production is expected to increase. Soybeans and soybean meal now enter the Danish

market duty free and sales will continue to climb as long as EC import tariffs are maintained at the General Agreement on Tariffs and Trade (GATT) binding of zero. Soybean imports from the United States set a record of $70 million in 1971, up 4 percent from 1970, and the United States held 100 percent of the import market. Soybean meal sales totaled $14 million in 1971, also a substantial increase.

Raw tobacco sales will not fare as well after Danish accession. Denmark has long been a top market for high-quality U.S. cigarette leaf, with sales in 1971 amounting to $16 million, or about half of the import market. Sales last year were down from the $21 million record level set in 1970, but are expected to hit the 1971 level this year.

Denmark's present zero duty on raw tobacco will continue, but only for other EC partners and those countries having special preferences. The United States and other nonpreference areas will face a new and high EC tariff, in spite of a GATT duty binding and subsequent global bindings during the Kennedy Round negotiations.

The EC duty is 23 percent for tobacco valued at less than 280 units of account per 100 kilograms, with a minimum of about 14 cents and maximum of 17 cents per pound. It is 15 percent for tobacco valued at 280 U.A. per 100 kilograms or more, with a minimum of about 21 cents and maximum of 35 cents for each pound.

Some Danish imports of high-quality stemmed U.S. tobacco are already falling into the higher valued tariff classification. This EC duty, to be phased in over the 5-year transition period, will hit high-quality U. S. leaf the hardest.

Of more concern, the EC's CAP encourages tobacco production through high producer supports and premiums paid to buyers of EC leaf. Therefore, an increasing amount of Community tobacco will go into Danish cigarettes, even though the quality is lower.

Although Danish **feedgrain** requirements will increase as livestock production grows, it is highly unlikely that the United States will benefit when Denmark comes under the EC's grain policies.

Danish production of barley, the major feedgrain used, is adequate, and use of nongrain feeds is increasing. For several years, Denmark has exported wheat, and high grain production, followed by increased prices, has resulted in restrictive trade practices.

U.S. sales to Denmark have long been plagued by import embargoes, mixing regulations, and variable import levies. Under Common Market conditions, the situation could become even more restrictive and surplus grain from other Member States would have a preference on the Danish market.

In addition, Danish compounders, when free from current regulations, are expected to follow the Community trend of substituting more denatured wheat, and the so-called "junk" feeds, in complete rations.

In recent years, U.S. grain sales have been limited primarily to corn for use in poultry rations. Sales in 1971 amounted to $10.5 million, about 60 percent of the market. A substantial sale of U.S. barley, made last year, totaled $7.3 million, the highest since 1966.

At present, even near-term sales prospects have dimmed following the Danish decision to raise the starting grain prices significantly prior to the transition period. As a result of this action, Danish grain prices in the early years of transition will be considerably higher than they would have been otherwise, and could result in surplus grain production.

In August 1972, the level of all Danish minimum import prices (MIP's) for grain was increased $15 per ton over the MIP of the previous year.

No price differential has been provided for corn (not produced in Denmark), however, which means that Danish importers will pay full EC levies from the start of the transition period. Levies on corn will jump from the present $16 per metric ton to about $55. The impact on U.S. corn sales is obvious.

Denmark increased corn threshold prices by about $15 per metric ton in August, at the start of the 1972-73 market year, so that the disadvantage to U.S. corn is over $50 per ton compared to pre-CAP price levels.

Danish entry into the EC will open a small market for high-protein, hard red spring and winter wheats. Danish bakers have long sought to improve the baking quality of certain flour blends with imported wheat, but Danish mixing regulations require that 100 percent domestic wheat be used.

Trade problems can also be expected in the **fruit and vegetable** sector, where U.S. sales are already facing hard competition. Sales in 1971 amounted to $8 million, or 12 percent of the market, compared to $11 million and 15 percent of the import market in 1970.

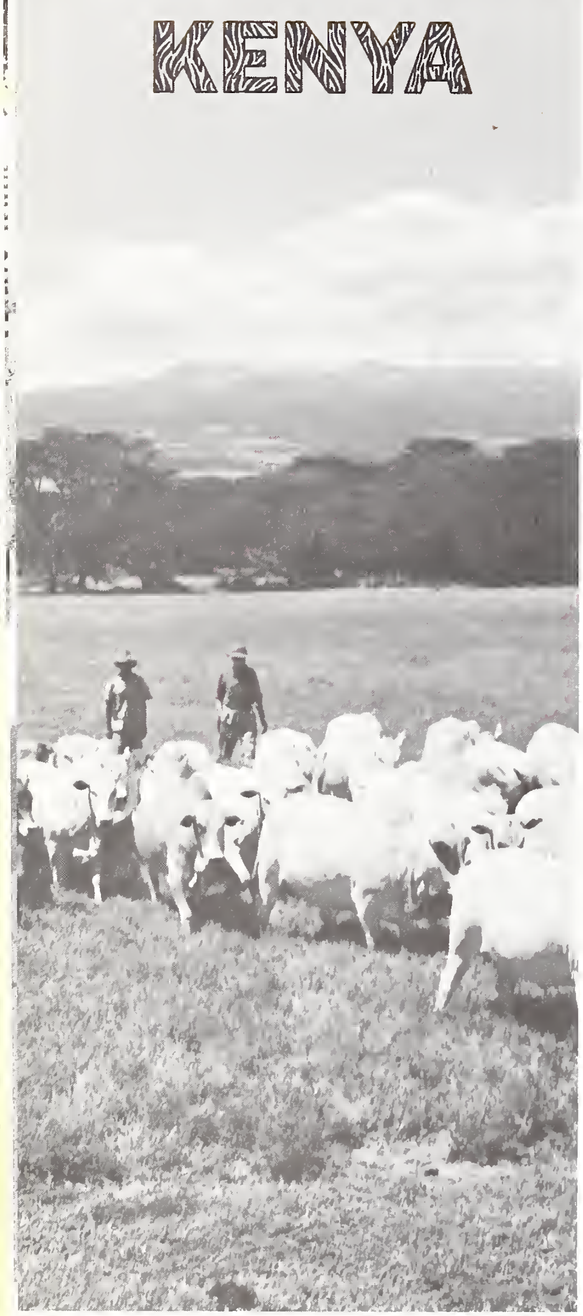
If the current CAP proposal for fruits and vegetables is adopted, U.S. sales could suffer. Under the new CAP, producer support prices and schemes would be considerably strengthened and an expanded system of reference prices—which serve as minimum import prices—would make imports more difficult. Provisions would also be included for export subsidies to help remove any surpluses.

Danish horticultural producers strongly support the new CAP proposals. Even with the new support levels, production would drop off sharply in the EC, fruits by as much as two-thirds. Nevertheless, the gap is not expected to benefit the United States, as other EC partners will have preference and will be increasing production.

SALES OF CERTAIN high-quality U.S. fruits and winter vegetables to Denmark may increase as seasonal import restrictions will be removed, making market access a little better during our prime marketing season.

Citrus is a special situation. Fresh citrus now has a duty-free binding as a result of the Kennedy Round negotiations. Denmark would no doubt like

(Continued on page 16)



Restricts Imports Of Farm Products By Exchange Controls

By THEODORE R. FREEMAN
U.S. Agricultural Attaché
Nairobi

Late in 1971, Kenya initiated foreign exchange controls which will restrict imports of a wide range of agricultural commodities.

Altogether, various controls were applied to about 102 agricultural commodities which normally account for over two-thirds of Kenya's total agricultural imports. Imports of these commodities amounted to US$39.1 million in 1971, up sharply from $25.8 million the previous year. Exports of U.S. products to Kenya will be hard hit by the controls and are expected to be cut by 50 percent in 1972 from their normal level of about $2 million (and well below the $4.2 million registered in 1971).

The control measures were implemented primarily to halt a rapid decline in Kenya's foreign exchange holdings, which tumbled from $250 million in March 1971 to around $175 million by the end of the year.

This flight of reserves was spurred by rising total imports, up nearly 30 percent over the previous year, and sluggish exports, up only 1 percent. As a result, the visible trade deficit totaled $296.1 million for 1971, 64 percent higher than in 1970.

The decline in the value of exports was due mainly to lower prices for coffee—Kenya's largest export—and to reduced shipments of tea and sisal. The rise in imports was due to heavy imports of nonagricultural goods and of basic food products—such as sugar and corn.

The controls regulate the availability of foreign exchange for selected commodities, some previously subject to import licensing requirements, as well as some previously exempt. Now these selected commodities are classified into three general categories:

- Those for which foreign exchange will still be authorized by the banks;
- Those for which foreign exchange will be made available, but only with prior permission from the Government for each shipment;
- Those for which foreign exchange will not be made available.

Foreign exchange will no longer be made available for imports of 57 different agricultural commodities with a combined import value of $14.1 million in 1971. Kenya's East African partners will be most severely affected by the restrictions. Imports of these commodities from Uganda and Tanzania amounted to $8.6 million in 1971, or three-fifths of the total. Further, these commodities accounted for over one-fifth of Kenya's total imports from its partner states.

Chief imports of these commodities from within the East African Community have been cottonseed oil, sorghums, sugar confectionery products, canned beef, ghee, and coffee extracts and concentrates.

Primary imports of the restricted commodities from outside East Africa have been rice, chocolate confectionery products, canned fruits and vegetables, and nonfat dried milk (most of which came from the United States under P.L. 480, Title II). The United States has also been a principal supplier of rice on a regular commercial basis.

The new foreign exchange controls will virtually put an end to about one-fifth of Kenya's imports of agricultural commodities from outside the East African Community and about one-half of its imports from the United States. Further, imports will be seriously curtailed for the remaining 45 items for which foreign exchange may be used, due to licensing and other administrative requirements.

Even prior to implementation of these measures, Kenya enjoyed a favorable trade balance with its partner states. Although there was a modest shift in

Loading grain for export in Kenya. Since mid-1960's, this country has shifted from a net importer of cereals to a net exporter.

the trade balance in 1970 compared to a year earlier, Kenya's favorable balance of trade with Uganda and Tanzania grew from $18.9 million in 1960 to $52.5 million by 1971.

Still, Kenya is concerned that trade between the partner states has not been expanding sufficiently and is actively seeking other markets in Africa as well as other countries.

Kenya's implementation of trade barriers, for the most part, will be discriminatory against African countries. This stems from the fact that one of the aims of import control measures was to ensure that foreign exchange resources would not be spent on consumer goods but would be used for the importation of machinery and other capital goods, of which Africa produces very little.

Economic and social changes are occurring in Kenya, which point to shifts in trade patterns. Kenya's total level of trade will continue to expand as the country prospers. Higher levels of economic development, coupled with population growth, will require a wider range of imported products than in the past.

The economic changes are occurring during a period when Kenya is also undergoing profound changes in its philosophical outlook. The Government is attempting to diversify trading contacts in order to reduce dependence on former economic powers and to place its economy in the hands of Africans. In May 1972, the Government issued "Quit Notices" to 300 businesses owned by noncitizens. These businesses are to be taken over by citizens of Kenya by September 1972. The transfer of these firms is part of the Government's Africanization Program.

Newly emerging African industries are seeking new contacts and are amenable to ideas aimed at contributing to the well-being of the country and bringing about changes in infrastructure. Further, Kenya has adopted moderate economic policies with regard to free enterprise, combining Government direction and control in partnership with business.

The shift in trade patterns will certainly be gradual instead of abrupt but it is sure to come.

American firms have invested around $90 million in Kenyan enterprises and excellent investment opportunities still exist. In the agricultural sector, priority is being given to development of the livestock and meat packing industry. Excellent slaughtering and processing facilities already exist, but the principal bottleneck has been in cattle fattening.

In recognition of the short world supply situation for beef and the high potential export earning for quality beef, the Government has placed high priority on expansion of feedlots. The value of beef exports amounted to about $2.9 million in 1971, but the value of exported beef would rise substantially if the quality of beef were improved so that it could be exported in fresh or frozen form instead of as corned beef, now the main export.

The import control measures recently implemented will affect about 50 percent of U.S. exports to Kenya, on a value basis, curtailing them for the near future. Ultimately, however, trade in these products and other similar products will be expanded if the import control measures are successful in restoring a healthy economic climate.

Foreign exchange reserves recovered slightly during the first quarter of 1972, rising to $187 million, compared to $175 million at the end of 1971.

Many of the products now on the restricted list are needed to sustain the thriving tourist industry, which brought in about $67.5 million in foreign exchange in 1971. In due time, Kenya's emerging industries will be producing a wide range of food products that will be competitive in terms of quality and price and will no longer need the protection afforded by import controls.

Easing of these controls will again open the door for U.S. consumer-ready, brand-name products which carry a high prestige value. Further, U.S. export opportunities continue to exist for many commodities, including breeding cattle to enhance the Government's beef expansion efforts. And to be sure, the potential for U.S. sales of foodgrains (corn, wheat, and rice) is ever present because of Kenya's erratic domestic production due to uncertain weather.

All of these potential sales opportunities will depend to a great extent on how well U.S. suppliers aline themselves with newly emerging African companies. Good working relationships with African business interests would be one of the best investments the American businessman could make in Kenya in order to share in the trade boom which had begun before the latest controls were implemented, and which is sure to be dramatically revived in the future.

KENYA

Expands Agricultural Imports and Exports Over Past Decade

By CAREY B. SINGLETON, JR.
Foreign Demand and Competition Division
Economic Research Service

During the past decade, Kenya's agricultural trade has increased 50 percent—from US$133 million in 1961 to a record $199 million in 1970. While agricultural imports gained only moderately, exports were up 62 percent, reflecting gains in agricultural production which more than kept pace with the growing population.

Kenya's total trade increased even more dramatically during the decade—from $352 million in 1961 to $731 million in 1970.

Kenya's trade policy over the past decade has been directed toward reducing imports of agricultural and consumer goods and stepping up those of capital goods needed to accelerate industrial and agribusiness growth. Agribusiness is rapidly expanding in the hinterland.

Imports. Agricultural imports gained only modestly from 1961 to 1970, from $32.5 million to $37.2 million. At the same time, however, there has been a substantial shift in the farm goods imported.

Kenya's leading agricultural imports in 1961 were cereals, sugar, and fats and oils. By 1970, they were fats and oils, sugar, and tobacco. Imports of both cereals and sugar declined significantly during the decade, while imports of fats and oils rose sharply.

Historically, **cereals** have been major agricultural imports. Since the mid-1960's, however, Kenya has shifted from being a net importer to a net exporter. Exports of wheat and flour have exceeded imports by an average of 50,000 tons annually from 1964 to 1970.

Corn production fluctuates widely from year to year, because of weather influencing the trade pattern. During 1964-66, net imports of corn averaged about 80,000 tons each year; during 1967-69 net exports averaged over 200,000 tons annually.

Increased use of hybrid seed, improved cultural practices, and expanded smallholder acreage have begun to contribute to increased output and exports.

During the early 1960's, Kenya imported substantial quantities of rice. Domestic production has been increasing, however, and by 1970 imports totaled only 1,100 tons.

While imports of cereals have declined, imports of **fats and oils** have expanded and have become the largest agricultural import by 1970. Imports of $9.1 million in 1970 were nearly double the 1961 level.

Sugar imports, while remaining the second leading import throughout the decade, have actually declined over the past 10 years as domestic production has increased. In 1961, only 33,000 tons of sugar were produced in Kenya; by 1970, production was 125,000 tons.

Unmanufactured **tobacco** (the third most important agricultural import in 1970, valued at $3.8 million) and fruits and vegetables (valued at $3.5 million) have remained at approximately the same level over the 10-year period. A substantial part of these imports came from Uganda and Tanzania.

Imports of U.S. agricultural products expanded more sharply during the decade from $1.6 million in 1961 to

Dried pyrethrum flowers being loaded for export in Kenya. This country hopes to expand exports for better foreign trade balance.

$2.8 million in 1970. The U.S. share of Kenya's agricultural imports increased from 4.7 percent in 1961 to 7.5 percent in 1970.

While Kenya is not a consistent market for cereals, the United States has been a substantial supplier. In 1970, the United States provided over half of Kenya's total cereal imports, including nearly all of the corn.

The United States has also dominated Kenya's fats and oils imports, supplying 90 percent in 1970. Other U.S. products shipped to Kenya in 1970 included live animals (mostly cattle for breeding) and dairy products.

Exports. The value of Kenya's total exports doubled over the decade from $144 million in 1961 to $289 million in 1970. At the same time, agricultural exports increased from $101 million to a record high of $162 million. Because of the diversity of Kenya's agriculture, the country is able to export a wide range of products and therefore is less susceptible to vagaries of world markets than many developing countries.

There has been a substantial change in the makeup of Kenya's agricultural exports during the past decade. In 1961, principal exports were coffee, sisal, tea, and pyrethrum; by 1970, coffee, tea, fruits and vegetables, and meat were the leaders. Kenya's principal markets are the United Kingdom—its major trading partner—and West Germany, Japan, and the United States.

Kenyan farm wife dumps freshly plucked tea for weighing, processing, and export.

A large-scale Kenyan ranch for grade cattle. Priority is being given to development of livestock and meat packing industry.

Kenya's principal export and major cash crop is **coffee.** In 1970, Kenya produced a record high crop of 58,300 tons of coffee valued at $62 million; exports went principally to West Germany, the United States, Sweden, and the United Kingdom. Coffee exports have increased steadily over the past decade, are expected to continue.

Kenya grows approximately 3 percent of the world's **tea** and is the largest producer of tea in Africa. Over the past decade production has increased from 13,000 tons in 1961 to a record 41,077 tons in 1970. In 1970, tea shipments valued at almost $36 million were exported, primarily to the United Kingdom, the United States, and Canada.

Kenya is the world's largest producer of **pyrethrum**—a flower containing a natural insecticide—and supplies about one-half of the world's output. In 1970, Kenya could not meet the increasing world demand for pyrethrum because of extremely low production, which resulted from both adverse weather conditions and the introduction of other crops in competition for land in some of the major pyrethrum growing areas.

Tighter restrictions on the use of chemical insecticides in many industrial countries (along with potential pollutant effects from chemicals and the relatively safe use of pyrethrum) have generated a substantial new demand for pyrethrum. As a result, orders amounted to over 24,000 pounds of flowers in the 1970 crop year, and further increases are expected during the next 2 or 3 years.

In response to the revitalized demand for pyrethrum extract, the dried pyrethrum flower price paid to farmers was increased 13 percent by the Kenya Pyrethrum Board. Kenya ships substantial quantities of pyrethrum extract to the United States each year—including a quarter of the $6 million worth of exports in 1970.

The importance of **sisal** as an export earner has declined considerably during the decade because of increased competition from synthetics. Production declined from 64,000 tons in 1961 to a low of 44,000 tons in 1970.

During the past 10 years, there has been a substantial increase in exports of **fruits and vegetables,** both fresh and

processed. Most are produced by the commercial sector for export to markets in Western Europe.

While Kenya's balance of payments has not been a problem during the past decade, it has had a chronic trade deficit, which reached $154 million in 1970. The outstanding feature of Kenya's current account is the consistency with which "invisibles" have been able to offset a large portion of Kenya's annual trade deficits. Foreign aid and investments, steadily rising earnings from tourism, provision of administrative services to Uganda and Tanzania, and a substantial capital inflow have enabled Kenya to cover the expanding trade and balance-of-payment deficits.

The rise of tourism as a substantial foreign exchange earner is encouraging. The bright prospects for tourism seem to indicate that this industry will continue to be a good source of foreign exchange for the next decade.

Trade patterns. Kenya is a member of the East African Community (EAC). Established in 1967, the EAC operates common services in Kenya, Uganda, and Tanzania, including airlines, railroads, postal and telecommunications, meteorology, and research. The EAC is the successor to the East African Common Services formed over 50 years ago.

Trade in the EAC is relatively free of controls; however, some internal trade barriers have been created recently, mainly in the form of EAC licensing requirements and transfer taxes on some manufactured food commodities and raw materials. In general, the level of duty rates is fairly high and the revenue derived from import tariffs is an important source of Government income. Most imports are admitted under Open General License. However, each EAC country requires a specific import license for a number of commodities.

A substantial part of the agricultural trade of the EAC member countries is subject to intervention by the State or by marketing boards or cooperatives whose activity in the trading process differs by commodity or organization of the country's marketing system.

Agricultural products shipped outside of the EAC for which export licenses are required are sugar, rice, tea, and livestock. These export licenses, issued by the Ministry of Commerce and Industry, are used to conserve domestic supplies of these commodities.

As of mid-March 1971, Kenya and Tanzania have placed temporary restrictions on the convertibility of foreign exchange and national currencies in the EAC—an action which Uganda had taken earlier in 1970. While this situation is not expected to create major difficulties or unduly disrupt trade in the EAC, it may result in slower payments between EAC member countries.

Kenya requires import licenses for many farm products. Imports of agricultural products from Tanzania and Uganda subject to restriction are: All grains except wheat and corn, and all meal and flour; poultry and several kinds of processed meat; dairy products; citrus fruit, peas, onions, frozen fruits and vegetables, and several other kinds of processed fruits and vegetables; raw and refined sugar; oilcake; margarine and shortening; and other minor products which would compete with the domestic food-processing industry. All imports from European and Asian Communist countries and from Iran, Iraq, and Japan are subject to import licenses. Imports from the Republic of Africa and Rhodesia are prohibited.

An association agreement between the EAC and the European Community (EC) came into effect on January 1, 1971 (April 1 for EAC agricultural products subject to the EC's Common Agricultural Policy). Under the trade provisions of the accord, which runs until January 31, 1975, the EAC has agreed to grant tariff preferences ranging from 2 to 9 percent on 59 commodities, for easier access to EC markets for EAC agricultural products.

Under the terms of the agreement, the EC will suspend customs duties on most EAC products; however, variable levies continue to apply although the levies are reduced for some products. The sugar-added levy continues to apply except for certain pineapple products.

Annual duty-free tariff quotas will be applied to EAC exports of coffee (56,000 tons), tinned pineapple (860 tons), and cloves (120 tons). In 1971, a smaller pineapple quota was already filled by April, and Kenya's pineapple exports continued to go into the EC at the full rate for the rest of the year.

Specific restrictions on agricultural trade are also allowed under article 13 of the EAC-EC Treaty. EAC products which are basic staple foods or major export crops are protected from EC competition, subject to special marketing regulations.

Retail fruit and vegetable market in Nairobi. About half of such U.S. imports are curtailed by new foreign exchange controls.

CROPS AND MARKETS

GATT 28th Session Concludes Work

The 1972 Session of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT), which ended on November 14, brought decisions on two issues with a direct bearing on U.S. agricultural export interests: The enlargement of the European Community and the holding of multilateral trade negotiations.

Negotiations between the enlarged EC and concerned Parties under Article XXIV:6 will open formally in early January 1973. All technical requirements and preparatory work will be completed before March 1 so that actual negotiations can begin then on concessions gained and lost as a result of adoption of the EC's Common Agricultural Policy and the Common External Tariff by the United Kingdom, Denmark, and Ireland. These negotiations will last between 4 and 5 months.

The Session also resulted in an agreement to initiate multilateral trade negotiations in 1973, subject to such internal authorization as may be required. To that end, a Preparatory Committee was established to develop procedures for these negotiations. These trade negotiations are an outgrowth of the decisions made by the United States, the EC, and Japan after last December's "Smithsonian Agreement" realining currency exchange rates. These countries agreed to initiate and actively support worldwide negotiations in 1973 within the framework of GATT with the objective of bringing about expansion and greater liberalization of world trade in agricultural as well as industrial products.

The Preparatory Committee will begin work in January with a September target for the completion of its work. A Ministerial meeting will be held in September to review the Committee's work and to establish a Trade Negotiations Committee and guidelines for these negotiations.

SUGAR AND TROPICAL PRODUCTS

Record World Coffee Exports in 1971–72

Coffee exports by member nations of the International Coffee Organization during the coffee year ending September 30, 1972, amounted to a record 57.5 million bags of 126.7 pounds each, according to preliminary data released by the ICO in London. This amount far surpasses the previous record year, 1967-68, when 53.3 million bags were shipped by these countries to all destinations.

Shipments during the final quarter of the coffee year (July-September) were particularly heavy, with exports of 18.8 million bags.

These record exports did not result from increased demand in the United States. In fact, this country imported less coffee in 1971-72 than it did in any of the 3 preceding years. It is clear that the U.S. share of the world coffee market continues to decline. The United States is one of the few countries where per capita consumption of coffee has dropped in recent years.

Despite these exceptionally large shipments, coffee inventories in importing countries were estimated by the ICO at 8.5 million bags as of September 30, 1972, approximately 1 million bags less than by the same date in 1971. It is likely, however, that inventories rose substantially in October since a large proportion of the heavy September shipments had probably not reached its destination by September 30.

The above figures are particularly significant at this time in view of the meeting of the International Coffee Council scheduled in London for early December to discuss quota levels for the remaining three quarters of the current 1972-73 coffee year.

FAO Forecasts Cocoa Bean Production and Consumption

The Subgroup on Statistics of the FAO Intergovernmental Group on Cocoa met in Rome, October 25-26, 1972, to forecast world cocoa bean production and consumption for 1973. World cocoa bean production for the 1972-73 October-September crop year was forecast at 1,468,000 metric tons, off 4.1 percent from the record 1971-72 crop of 1,531,000 tons.

World grindings for 1973 were forecast at 1,598,000 tons, compared with 1,541,000 for 1972. After adjusting production data for a 1-percent shrinkage, a deficit of 145,000 tons was forecast by FAO for 1973, compared with a projected deficit of 25,000 tons for 1972.

According to FAO data, a stock buildup of 71,000 tons occurred in 1971.

$11-Million Loan To Help Indonesia Boost Exports

A credit of $11 million from the International Development Development Association (IDA), an affiliate of the World Bank, will help Indonesia to rehabilitate and develop a group of Government-owned estates in Sumatra.

The project is expected to contribute to expansion of Indonesia's export-earning capacity. The estate sector, both private and Government-owned, has accounted for 15 to 20 percent of Indonesia's export earnings in recent years.

Over a 12-year period, the project will restore some 9,500 acres previously planted wtih rubber, increase the area under oil palm by 18,300 acres, and rehabilitate and raise the productivity of about 11,400 acres of existing rubber and about 5,000 acres of existing oil palm. The planting program will be supplemented by programs of fertilization and improved agricultural practices. In addition, pilot programs will be

developed for cloves, cinnamon, coconuts and cocoa, and a program will be prepared for the rehabilitation and development of one tea estate.

Included in the project are rehabilitation and expansion of palm oil storage and pumping facilities at the port of Pandjang, the improvement of estate and gravel link roads, and housing for workers to be recruited from Java.

The project is expected to increase annual production of palm oil by 38,500 tons, palm kernel by 7,200 tons, and rubber by 10,500 tons. This would raise net annual foreign exchange earnings from their present level of $2 million to about $10 million by 1990.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Nov. 22	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.75	0	2.00
USSR SKS-14	(1)	(1)	1.87
Australian FAQ [2]	2.59	−1	1.66
U.S. No. 2 Dark Northern Spring:			
14 percent	2.49	−2	1.89
15 percent	2.51	−3	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	2.48	+1	1.78
No. 3 Hard Amber Durum	2.59	0	1.80
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.78
Feedgrains:			
U.S. No. 3 Yellow corn	1.69	+2	1.47
Argentine Plate corn	2.10	+7	1.55
U.S. No. 2 sorghum	1.75	+3	1.43
Argentine-Granifero sorghum	1.76	+3	1.44
U.S. No. 3 Feed barley	1.55	−5	1.21
Soybeans:			
U.S. No. 2 Yellow	3.99	+15	3.37
EC import levies:			
Wheat [3]	[4] 1.34	0	1.50
Corn [5]	[4] 1.10	−6	1.02
Sorghum [5]	[4] 1.03	−3	1.01

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

China Buys Canadian Wheat

The Canadian Wheat Board has signed an agreement to ship 1.7 million tons of Canadian wheat to China beginning April 1973. Reports from Ottawa indicate that the full amount is expected to be shipped by October 1973. The new sale will ensure continued regular deliveries of wheat to China after the 3.4 million tons previously committed for delivery between July 1, 1972, and March 31, 1973, have been shipped.

Canadian shipments and estimated shipments from other sources are now expected to boost China's wheat imports this year to about 5.5 million tons, the second highest level in recent history. That level could even be exceeded if additional wheat reportedly sought by China from Argentina and France is purchased, or if significantly more is purchased from current suppliers.

Mexico May Cut U.S. Bean Imports

Beans are a major Mexican food staple and in recent years have become an important agricultural export. Favorable growing conditions in the early months of Mexico's 1972-73 crop year are expected to again boost total bean production and enable Mexico to increase bean exports and reduce imports from the United States.

Mexico's bean output has been growing almost steadily for more than 10 years, rising from 509,000 tons in 1959 to an estimated 1.15 million tons in 1972-73. Harvested area has stabilized at approximately 5 million acres since 1969. A general uptrend in yields has accounted for the production increase.

Mexican bean area in recent years has been second only to corn and production of this crop ranks third in value after corn and cotton. Mexico's principal producing States in order of importance are Jalisco, Veracruz, Guanajuato, Zacatecas, Durango, and Nayarit.

Mexico grows a number of bean varieties. Black beans are dominant in the gulf areas; the Pinto, Canario, and Bayo predominate in the central region; and in the northern areas, Canarios and Bayos are the important varieties.

Mexico's bean exports are expected to reach 50,000 metric tons in the current crop year, up from 40,000 tons 1 year earlier. In both years, Cuba and Venezuela were the main destinations. Most of Mexico's bean exports are handled by CONASUPO (Compañía Nacional de Subsistencias Populares), the Government's grain purchasing and sales agency.

Mexico imports beans from the United States generally to relieve deficits in its border areas. In 1970-71 they totaled 13,000 tons but dropped to 5,000 tons 1 year later. This year, because of improved growing conditions, imports are estimated to reach only about 3,000 metric tons.

LIVESTOCK AND MEAT PRODUCTS

Mexico Increases 1972 Beef Quotas

Mexico has authorized the export of an additional 8.3 million pounds of beef to the United States in 1972 bringing the total to 86.5 million pounds. The action was reportedly taken to avoid closing several Mexican meat plants which had already fulfilled their 1972 export quota.

Through September, U.S. imports of beef from Mexico totalled 60 million pounds.

American Firm To Build USSR Cattle-Feeding Complex

Ceres International, Inc., of Denver, has signed a contract with a Soviet agency to supply all of the necessary material

for three feedlots. In addition it will supply the technology and supervision to construct and operate one feedlot in the USSR.

The feedlot will provide grain storage facilities, a feedmill, all necessary transportation equipment, feedyard equipment, and farming equipment for growing and harvesting the necessary roughages.

All American-made materials are being exported by Ceres for the project, with Colorado manufacturers and companies being utilized as much as possible.

TOBACCO

EC Parliament Hits Tobacco Policy

The Parliament of the European Community, after leveling harsh criticism at the functioning of the common tobacco policy in the EC, passed a resolution reconfirming its criticism but accepting proposed increases in support prices and buyers premiums. The principal target of criticism was the French monopoly, which distorts competition because it is still the sole purchaser of French tobacco.

The tobacco policy was also criticized for encouraging production in regions already economically diversified, but failing to keep up production in regions dependent principally on tobacco for economic and social stability.

FRUITS, NUTS, AND VEGETABLES

U.S. Citrus Crop Sets Record in 1972

The 1972 U.S. crop of oranges will be a record. Florida's orange crop is forecast to be 174 million boxes compared with 137 million last year and 142 million in 1970. Crops in other areas are higher but the California Valencia crop will not be forecast until December.

Domestic demand for orange juice has increased sharply in recent years, as well as export demand. U.S. imports of orange juice, mostly from Brazil and Mexico, have totaled 25 million gallons (natural juice equivalent) from January through August 1972.

With increasing domestic and foreign demand, U.S. suppliers should be able to market the 1972 crop. Liberalization of all citrus juices in Japan would be most helpful at this time.

Grapefruit production is likely to be about the same as last year. With the very large export potential to Japan, supplies are likely to be tight and prices high.

Britain Objects to EC Horticultural Proposals

Britain has objected to proposals now under consideration by Common Market ministers for a modification of EC regulations in the fruit and vegetable sector, informed sources have reported. The proposals, which originated from France and Italy, would make fruit and vegetable prices the subject of annual ministerial negotiations, and would enable the Community to seal off its borders against imports in the event domestic surpluses developed.

Sources said Great Britain has told the Six it is concerned that the proposals could have a disruptive effect and that any new measures should be kept to a minimum.

On prices, Britain says that any change made in the present system—where prices are raised annually on an automatic arithmetical basis—should explicitly recognize the need to ensure supplies at reasonable prices.

On import limitations, it says the measures envisaged would be difficult to justify. Their effect would be to limit the choice of suppliers and consumers.

FATS, OILS, AND OILSEEDS

Argentine Cake and Meal Exports Down

During the January-September 1972 period Argentine exports of oilseed cakes and meals at 325,000 metric tons were down 44 percent, or 252,900 tons from the same 9 months in 1971. Breakdown of cake and meal exports is as follows, in thousands of metric tons:

	1971	1972
Sunflowerseed	213.4	163.4
Linseed	268.3	131.9
Cottonseed	60.6	17.9
Peanut	35.7	11.8
Total	578.0	325.0

The decline in 1972 exports reflects reduced 1972 output of flaxseed and relatively small sunflowerseed production in 1971 and 1972.

Oilseed and Meal Imports Into Major Markets Increase

Imports of major oilseeds and meals (including fishmeal) in the January-June 1972 period into eight major importing countries (Japan and seven West European countries) totaled 9.33 million metric tons—soybean meal equivalent basis—or 8.8 percent above the 8.55 million tons imported in the first half of 1971.

Imports of soybeans and meal into these eight countries amounted to 5.81 million tons, up 5.2 percent or 289,000 tons above the first 6 months of 1971. The increase reflected gains from the United States as well as Brazil.

Imports of fishmeal, at 1.06 million tons, were up 43 percent and accounted for more than two-fifths of the net gain in aggregate imports. All categories registered gains except linseed and cottonseed meals.

A comparison of imports of the major oilseeds and meals for January-June 1971 and 1972 (in thousands of metric tons) follows:

	1971	1972
Soybean	5,523	5,812
Fishmeal	743	1,065
Peanut	609	691
Flaxseed	369	307
Cottonseed	392	375
Rapeseed	329	371
Sunflower	222	234
Copra	171	217
Other	214	254
Total	8,572	9,326

Danish Farmers Welcome EC Entry (Continued from page 7)

to continue the duty-free status, but will have to accept the EC's Common External Tariff. Imports will be subject to duty and a new and stronger system of reference prices.

In addition, preferential trade arrangements negotiated with the main citrus supplying areas give those countries reduced tariff rates. The conditions under which Denmark will adopt this system of preferences remains to be worked out.

A number of U.S. commodities may expand sales on the Danish market following EC accession. Discontinuation of quantitative import restrictions on cooked poultry products should lead to increased marketing of high-quality turkey products and other prepared dishes. The limited market promotion activities possible under current restrictions have clearly demonstrated Danish consumer acceptance of these products, which are new to the Danish market at present.

Other items with growth potential, where seasonal import restrictions will be eased, are certain fresh winter fruits and vegetables, such as lettuce, celery, radishes, cherry tomatoes, artichoke hearts, and sweet corn. The market for nuts—walnuts, almonds, peanuts, and pecans—should continue good. Changes in current sanitary regulations should make it possible to market choice cuts of U.S. beef.

However, import tariffs on some of these items will increase on January 1, 1973, so competitive prices will be even more important in taking advantage of increased market access.

World Oil Supply and Demand *(Continued from page 4)*

in the last quarter of the year. However, a decrease in Peruvian export availabilities of 550,000 tons would mean that 1973 foreign demand and supply of protein meals would be in fairly tight balance. A larger drop in Peru's exports—easily conceivable—of say 1 million tons (equivalent to 1,450,000 tons of soybean meal) would result in a foreign meal deficit of roughly 650,000 tons.

Unfortunately, it is simply impossible to foresee whether Peru will catch enough fish to meet its export goal of 1.4 million tons, or will have to settle for as little as one-tenth of that tonnage.

It should perhaps be emphasized that on the basis of a 1972-73 fishing year —which, like our soybean year, begins September 1—the world meal situation has to be extremely bullish. Peruvian exports in 1972-73, even if the Peruvian Government's 1973 target catch is attained, could hardly exceed 600,000 tons—a drop of 1.6 million tons (2.3 million of soybean meal equivalent) from the export volume of the 1971-72 fishing year. This would mean a foreign protein meal deficit of 1.5 million tons in 1972-73, calculated (on a soybean-meal-equivalent basis) as follows:

Change in exports:	*1,000 metric tons*
Larger availabilities:	
U.S. (excl. sales to USSR)	1,150
Brazil	600
Subtotal	1,750
Smaller availabilities:	
India and West Africa	−300
Peru	−2,300
Subtotal	−2,600
Difference	−850
Increase in foreign requirements (excl. USSR)	600
Net change	−1,450

Other meals such as cottonseed, linseed, and rape are not considered here since they account, in aggregate, for only 15 percent of world meal exports.